

44586
EB

SERVICE DATE – JULY 24, 2015

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. MCF 21064

PRISONER TRANSPORTATION SERVICES, LLC—CONTROL—PTS OF AMERICA, LLC
D/B/A PTS AND BREVARD EXTRADITIONS, INC. D/B/A U.S. PRISONER TRANSPORT

AGENCY: Surface Transportation Board.

ACTION: Notice Tentatively Approving and Authorizing Finance Transaction.

SUMMARY: On June 24, 2015, Prisoner Transportation Services, LLC (Applicant), a newly created corporation, filed an application under 49 U.S.C. § 14303 so that it can acquire common control of PTS of America, LLC d/b/a PTS (PTS) and Brevard Extraditions, Inc. d/b/a U.S. Prisoner Transport (USPT). The Board is tentatively approving and authorizing the transaction, and, if no opposing comments are timely filed, this notice will be the final Board action. Persons wishing to oppose the application must follow the rules at 49 C.F.R. §§ 1182.5 and 1182.8.

DATES: Comments must be filed by September 8, 2015. Applicant may file a reply by September 22, 2015. If no comments are filed by September 8, 2015, this notice shall be effective on September 9, 2015.

ADDRESSES: Send an original and 10 copies of any comments referring to Docket No. MCF 21064 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, send one copy of comments to Applicant's representative: Henry E. Seaton, Esq., Law Office of Seaton & Husk, L.P., 2240 Gallows Road, Vienna, VA 22182.

FOR FURTHER INFORMATION CONTACT: Matthew Bornstein (202) 245-0385. Federal Information Relay Service (FIRS) for the hearing impaired: 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Applicant, a non-carrier, states that it is a newly created limited liability company under the laws of Tennessee. Applicant states that it has been established as a holding company for the purpose of acquiring the corporate stock of PTS and USPT, both engaged in for-hire transportation of incarcerated prisoners.

Applicant states that PTS is a limited liability corporation established under the laws of Tennessee. According to Applicant, PTS holds authority from the Federal Motor Carrier Safety Administration (FMCSA) as a motor carrier of passengers in Docket No. MC-689407. Applicant explains that PTS's current shareholders are Kent Wood and Alan Sielbeck, individuals residing in Tennessee. USPT, according to Applicant, is a Florida corporation that holds authority from the FMCSA as a motor carrier of passengers in Docket No. MC-643115.

Applicant states that Robert Downs owns 80 percent of USPT's stock and Lisa Kyle owns 20 percent. Applicant states that both of these individuals are Florida residents.

Applicant states that PTS and USPT both perform a specialized type of interstate transportation of passengers by motor carrier. According to Applicant, each carrier has separate contracts of carriage with state and local prisons, correctional facilities, and sheriff's departments for the for-hire transportation of incarcerated prisoners, including convicts, parole jumpers, and individuals under criminal indictment who have escaped to foreign jurisdictions. The services rendered by these companies, Applicant states, include recovery and extradition of prisoners from jails and detention facilities in one state and delivery to points of incarceration in interstate commerce under guard. Applicant states that both motor carriers operate specially equipped van and bus equipment suitable for the transportation of prisoners and in compliance with the Interstate Transportation of Dangerous Criminals Act. Applicant adds that PTS currently operates 20 vehicles, including two 30-passenger buses, six specifically designed transporters suitable for the transportation of as many as 20 inmates, and 12 15-passenger vans. USPT, according to Applicant, operates 12 vehicles, including two transporters and 10 passenger vans.

Applicant explains that the proposed transaction would be structured as an acquisition of common control of two carriers through contribution of the outstanding stock of both carriers to a holding company, Prisoner Transportation Services, LLC, for common control and management. Applicant seeks to acquire 100 percent of PTS through acquisition of the stock of Mr. Wood and Mr. Sielbeck, and 100 percent of USPT through acquisition of the stock of Mr. Downs and Ms. Kyle. As a result, Applicant states, both PTS and USPT would become wholly operating subsidiaries of the holding company, with the current owners of PTS (Mr. Wood and Mr. Sielbeck) owning 31.5 percent and 38.5 percent of the outstanding corporate stock of the holding company and the current owners of USPT (Mr. Downs and Ms. Kyle) owning the remainder of the stock. Applicant states that, as a result of this transaction, the current owners of each company would jointly control both carriers, with both companies continuing to offer their existing service.

Under 49 U.S.C. § 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least: (1) the effect of the proposed transaction on the adequacy of transportation to the public; (2) the total fixed charges that result; and (3) the interest of affected carrier employees. Applicant submitted information, as required by 49 C.F.R. § 1182.2, including information to demonstrate that the proposed transaction is consistent with the public interest under 49 U.S.C. § 14303(b), and a statement that the aggregate gross operating revenues of PTS and USPT exceeded \$2 million for the preceding 12-month period, see 49 U.S.C. § 14303(g).

Applicant submits that the proposed transaction would have no significant impact on the adequacy of transportation services to the public. Rather, Applicant anticipates that common control of the carriers would result in more efficient and timely transportation. By combining the pickup and delivery schedules of both companies, Applicant states, detainees scheduled for pickup could be booked more expeditiously on the nearest available bus or transporter, regardless of whether the vehicle is operated by PTS or USPT. Applicant notes that consolidation would permit vehicle sharing arrangements, coordinated driver training, and safety

management and load sharing arrangements. It further claims that consolidation would allow for the centralization of various management support functions such as vehicle licensing, legal affairs, accounting, human resources, purchasing, and environmental compliance.

With respect to fixed charges, Applicant asserts that the efficiencies generated by the transaction would reduce the variety of unit costs now being incurred to operate these carriers under separate ownership. Additionally, Applicant states that the combined carriers would be able to enhance their purchasing power, thereby reducing insurance premiums and achieving deeper discounts for equipment and fuel. Applicant also claims that affected employees would benefit from the transaction. It says that employees would maintain job security and would have an increased opportunity to schedule shorter tours of duty, resulting in less time away from their home base.

Applicant further claims that the proposed transaction would not have any adverse competitive effect on any portion of the passenger transportation industry. Applicant states that the vast majority of prisoners and detainees are transported by U.S. Marshals, state law enforcement officers, sheriffs, deputies, or local police officers. Furthermore, Applicant states, other for-hire carriers such as Transcor, STS, US Corrections, Texas Prisoner Transport, GEO Transport, Lock and Load, G4S, and Global Prisoner Services are also in the marketplace.¹ According to Applicant, competitors would not be adversely affected by the transaction because prisoner extradition services are provided based upon open competition among qualified service providers for contracts of one to three years in duration. Applicant also states that there is nothing to preclude existing carriers from expanding their routes, rates and services, and nothing to keep well capitalized new entrants from entering the market at any time.

On the basis of the application, the Board finds that the proposed acquisition is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application. See 49 C.F.R. § 1182.6(c). If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action.

Board decisions and notices are available on our website at “WWW.STB.DOT.GOV”.

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The proposed transaction is approved and authorized, subject to the filing of opposing comments.

¹ In total, after consummation, Applicant asserts that the combined operation would constitute less than 5 percent of the population being transported.

2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.

3. This notice will be effective September 9, 2015, unless opposing comments are filed by September 8, 2015.

4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: July 20, 2015.

By the Board, Chairman Elliott, Vice Chairman Begeman, and Commissioner Miller.